

REMARKS

I. General Comments

The claims have been amended to remove ambiguities and to correct the antecedent basis where such was lacking. New claims 12, 13, 14 and 15 are submitted and are parallel to amended claims 3, 10, 11 and 2, respectively, in order to remove the ambiguity from claims 3, 10, 11 and 2 as previously presented. No other amendments have been made to the claims. It is respectfully submitted that the amendments to the claims do not alter the scope of the claims nor do they add any new matter to the application. It is respectfully requested that such claims be entered.

II. Prior Art Rejections

The Examiner has rejected Claims 1-4 under 35 U.S.C. §102(a) as being anticipated by Hagelin (2002/0077835 A1).

It is important to note that there are some very critical distinctions between the subject invention and the Hagelin reference. While Hagelin illustrates a method for evaluating intellectual property, and recognizes the same shortcomings in the prior art as those pointed out by applicant, Hagelin offers a very different solution.

Hagelin attempts to determine the value of the intellectual property associated with an asset by comparing the asset with the intellectual property component with a competitive asset not incorporating the intellectual property.

As stated in Hagelin at paragraphs 0023 and 0024:

“The fundamental premise of the present invention is that the value of an intellectual property asset can be calculated from the competitive advantage that it contributes to a discrete tangible asset that competes in a marketplace. The methodology of the present invention first associates the

intellectual property asset with a related tangible asset that embodies the intellectual property asset. After a set of parameters that define the tangible asset are identified, the tangible asset is quantitatively compared to competing assets in the marketplace to determine its overall competitive advantage over those competing assets. The competitive advantage of the intellectual property asset relative to the total competitive advantage of the tangible asset is calculated based upon a quantitative comparison to the other intellectual property assets that are embodied in competing assets and the tangible asset. Based upon the relative competitive advantage contribution of the intellectual property asset to the overall competitive advantage of the tangible asset, a percentage of the overall value of the tangible asset is assigned to the intellectual property asset.

A determination of the competitive advantage that an intellectual property asset can contribute to a tangible asset in the market place can be used to calculate more than just the value of that asset. The methodology may also be used to predict the market share that a product embodying a specific set of intellectual property assets will eventually achieve once introduced into the marketplace. The competitive advantage methodology also forms the basis for calculation of the value of a license of an intellectual property asset to both the licensor and the licensee or licensees. The calculation of competitive advantage is also integral to valuing a new intellectual property asset that is an improvement over or replacement of an existing intellectual property asset.”

While this approach may be useful, it is not necessarily accurate. For example, in many markets there is not any pricing differential because of the addition of a patented component. The advantage may be that it allows one to grab a larger market share, or to minimize the erosion of market share. In some cases, this could be as simple as reducing the cost component, thus permitting one to be merely competitive with a low cost supplier, rather than gaining a competitive edge.

The subject invention provides an importantly different approach by looking at the specific contribution to profit of the intangible assets, rather than the presence of a competitive advantage. A case in point is the above example. If the intellectual property component is more of a cost saving feature, rather than a new tangible component of the product, the cost saving feature can be directly attributed to profit when the overall price of the product with or without the IP component is the same. This is a real example.

An actual case in point is the outboard engine industry, previously dominated by two U.S. companies, Brunswick (Mercury Marine) and OMC (Johnson and Evenrude). The industry is now fighting for survival with the entry of significant Asian manufactures Yamaha, Suzuki and Honda. OMC is no longer operating in the U.S. Mercury Marine developed a new casting technology in order to stay competitive and thrives to this day. Case in point is the Mercury Marine lost foam technology.

Typically, the aluminum engine blocks for outboard engines are molded in well known manner. This requires that molten aluminum be poured into a mold and after cure the mold is removed, resulting in a raw engine block ready for machining and assembly... Historically, sand molds were used, probably for over a century. In the late 1980's Mercury undertook the development of a lost foam (using a Styrofoam type material) to use as the mold. During pour, the foam vaporized and what was left was a clean engine block. The use of the lost foam technology eliminated the sand mold removal process and minimized clean-up of the raw engine block. The final component was unchanged from the blocks using the sand molds. The customer and market never saw this, but it reduced Mercury's block cost by over 30%, directly attributable to profit, and contributed to its ability to stay competitive with low cost overseas producers.

The Hagelin model does not support this type of contribution of intellectual assets. While Hagelin's extremely broad claim appears to support this model, it is not disclosed and such a claim was not ultimately allowed, as confirmed in Hagelin U.S. Patent No. 7,188,069.

In fact, the broad claim granted in the Hagelin patent reads as follows:

“A method of valuing an intangible asset using a data processing system, comprising the steps of: calculating a monetary value of a tangible asset associated with said intangible asset using said data processing system by; identifying a parameter dependent on said intangible asset and associated with said tangible asset that is relevant to commercial success in a marketplace; using said data processing system to calculate the relative contribution of said intangible asset to said competitive advantage of said tangible asset; imputing into said data processing system the contribution of said parameter to said competitive advantage of said tangible asset as compared to related intangible assets; and using said data processing system to multiply said relative contribution of said intangible asset with said value of said tangible asset; using said data processing system to determine the competitive advantage of said tangible asset over competing tangible assets as a percentage thereof; and using said data processing system to calculate a value for said intangible asset based upon the relative contribution of said intangible asset to said competitive advantage of said tangible asset; and displaying said value using said data processing system.”

In order for Hagelin’s system to work, the asset must have a competitive advantage. In the subject invention there is no requirement of a perceived, or for that matter, real, competitive advantage. The Mercury engines and the competitor engines were virtually identical. The intellectual asset permitted a high-cost producer to remain competitive; it did not provide a competitive edge. Hagelin breaks down in this example.

As stated on page 10, beginning on line 18 of the application:

“The subject invention is directed to a quantitative approach for determining asking price and involves the use of publicly available industry information....”

Continuing in the next paragraph:

“An industry average contribution to profit from intellectual property...can be derived from...publicly available information.”
(CPIPIA).

The contribution to profit (CPIA) must also be derived for the asset in question.

This will permit one to determine the value of the asset.

In the example case, a simple one, it is easy to determine the contribution to profit (or costs) associated with sand molded blocks. It is also easy to determine the contribution to profit (or costs) of the foam molded identical block. The difference is the additional contribution to profit directly attributable to the intellectual property asset.

Hagelin does not support this example. The subject invention does.

As stated in currently pending claim 1:

“A method for calculating the optimum value of an intellectual asset comprising the steps of:

- a. determining the contribution to profit of the intangible assets;
- b. deleting the contribution of assets other than intellectual assets from this contribution;

c. deriving a base royalty rate from the difference.”

This is a profit component based system. In contrast, the Hagelin system is dependent upon components which are attributable to “commercial success in the marketplace.” This is a specific limitation in Hagelin and is part of his basic premise, i.e., that the value can be based on the “competitive advantage”

The subject invention and the currently pending claims support calculation of the value of an intellectual asset based on the profit component produced by that asset, regardless of any advantage it may provide in the marketplace. In contrast, Hagelin determines value based on the commercial success of the asset. The Hagelin disclosure does not teach and does not suggest a system which looks at the intellectual asset stripped from the overall product, it cannot provide a value analysis for the intellectual product, per se, which is the crux of the subject invention.

The novel method for calculating the value of an intellectual asset as set forth in the subject invention is not shown nor suggested by any of the prior art. It is respectfully submitted that claim 1, as presently presented, is in condition for allowance.

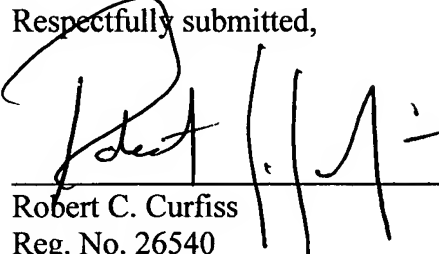
The remaining claims depend from an allowable base claim and should also be in condition for allowance.



Summary

All of the rejections of the Examiner having been addressed, it is respectfully requested that claims 1-15 as presently presented be passed to issue.

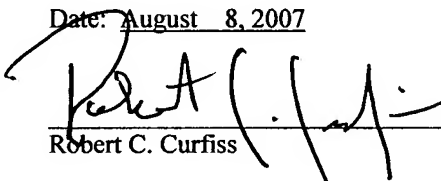
Respectfully submitted,


Robert C. Curfiss
Reg. No. 26540
19826 Sundance Drive
Humble, TX 77346-1402
Phone: (832) 573-1442
Fax: (832) 644-6152
Attorney for Applicant

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Robert C. Curfiss